

Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 INT-08 COME-00 TRSE-00 SCEM-02 RSR-01 /100 W
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R 181827 Z MAY 73

FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 9905
INFO AMEMBASSY BRASILIA

LIMITED OFFICIAL USE CARACAS 4290

EO 11652: NA

TAGS: ENRG VE

SUBJECT: ELIMINATION OF 50,000 BARREL- PER- DAY WESTERN
HEMISPHERE PREFERENCE ON NO. 2 FUEL OIL

BASILIA FOR ASSISTANT SECRETARY KUBISCH

1. DURING SECRETARY ROGERS' RECENT VISIT TO CARACAS,
AND WITH PARTICULAR REFERENCE TO CONSIDERATION OF
PETROLEUM PROBLEMS, IT WAS VERY EVIDENT THAT VENEZUELANS
ARE HIGHLY CONSCIOUS OF FACT THAT U. S. NEW ENERGY POLICY
ELIMINATES 50,000 BARREL- PER- DAY WESTERN HEMISPHERE
PREFERENCE FOR NO. 2 FUEL OIL.

2. UNDER PRESENT MARKET CONDITIONS, ELIMINATION OF THIS
ELEMENT OF PREFERENCE MAY NOT BE TOO MEANINGFUL.
VENEZUELANS CONSIDER THEIR OIL READILY SALEABLE IN
TODAY' S MARKET WITH OR WITHOUT THE PREFERENCE AND THIS
SENSE OF CONFIDENCE TENDS TO MITIGATE THEIR IMMEDIATE
CONCERN OVER ELIMINATION OF THE 50,000 B/ D PREFERENCE.

3. AT SAME TIME, VENEZUELAN CONFIDENCE IN TODAY' S
MARKET IS NOT UNTEMPERED BY REALIZATION THAT MARKET
CONDITIONS CAN CHANGE. AS RESULT, VENEZUELANS WOULD
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FEEL MORE COMFORTABLE FOR LONG- RUN WITH 50,000 B/ D

PREFERENCE THAN WITHOUT IT. ALSO, FOR SOME VENEZUELAN, THE NO. 2 PREFERENCE (OR AT LEAST THE GREATER PART OF IT) TENDED TO BE SEEN AS ONE TANGIBLE RESULT OF PRESIDENT CALDERA' S STATE VISIT TO WASHINGTON IN MID-70 AND A SPECIFIC COMMITMENT GIVEN TO HIM BY PRESIDENT NIXON. BOTH OF THESE FACTORS CONTRIBUTE TO VENEZUELAN UNEASINESS AND RELUCTANCE TO SEE 50,000 B/ D PREFERENCE DISAPPEAR FROM THE PETROLEUM SCENE.

4. WE BELIEVE IT WOULD BE EXCEEDINGLY USEFUL AND HELPFUL TO US IN OUR RELATIONS WITH VENEZUELA IF WE COULD BE AUTHORIZED QUIETLY TO TELL GOV THAT IN YHE EVENT OF SIGNIFICANT CHANGE IN MARKET SITUATION WHICH MIGHT MAKE 50,000 B/ D PREFERENCE ONCE AGAIN IMPORTANT AND MORE MEANINGFUL TO VENEZUELA THAT USG WOULD BE FAVORABLY DISPOSED CONSIDER RESTORATION OF THIS PARTICULAR ELEMENT OF PREFERENCE.

5. WOULD APPRECIATE DEPARTMENT' S EARLY CONSIDERATION OF THIS MATTER AND, IF POSSIBLE, AUTHORIZATION TO SO ADVISE GOV.
DEVINE

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NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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